



Bethlehem University Foundation

THE BETHLEHEM UNIVERSITY FOUNDATION, INC.

**FINANCIAL STATEMENTS
WITH
INDEPENDENT AUDITORS' REPORT**

**For the Years Ended
August 31, 2020 and 2019**

THE BETHLEHEM UNIVERSITY FOUNDATION, INC.

Table of Contents

Independent Auditors' Report 1-2

Audited Financial Statements:

 Statements of Financial Position 3

 Statements of Activities..... 4

 Statement of Functional Expenses for the Year Ended August 31, 2020..... 5

 Statement of Functional Expenses for the Year Ended August 31, 2019..... 6

 Statements of Cash Flows..... 7

Notes to the Financial statements 8-18



INDEPENDENT AUDITORS' REPORT

Board of Directors
The Bethlehem University Foundation, Inc.
Beltsville, Maryland

We have audited the accompanying financial statements of ***The Bethlehem University Foundation, Inc.*** (a non-profit organization), which comprise the statements of financial position as of August 31, 2020 and 2019, and the related statements of activities, functional expenses and cash flows for the years then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' Responsibility

Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditors consider internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

THE BETHLEHEM UNIVERSITY FOUNDATION, INC.

Independent Auditors' Report

Page 2

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of The Bethlehem University Foundation, Inc. as of August 31, 2020 and 2019, and the changes in its net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

DeLeon & Stang

DeLeon & Stang, CPAs and Advisors

Gaithersburg, Maryland

December 9, 2020

THE BETHLEHEM UNIVERSITY FOUNDATION, INC.
Statements of Financial Position
August 31, 2020 and 2019

	2020	2019
ASSETS		
Cash and cash equivalents	\$ 400,513	\$ 442,316
Investments - Notes 3 and 4	27,204,199	25,688,955
Pledges receivable, net	1,031,745	1,246,332
Prepaid expenses and other current assets	9,697	3,417
Computer equipment, net of accumulated depreciation of \$131 and \$0, respectively	5,449	-
Total Assets	\$ 28,651,603	\$ 27,381,020
LIABILITIES AND NET ASSETS		
<u>Liabilities:</u>		
Accounts payable and accrued expenses	\$ 24,685	\$ 14,443
Deferred rent	12,588	12,214
Total liabilities	37,273	26,657
<u>Net assets:</u>		
Without donor restrictions	605,283	363,316
With donor restrictions - Note 7	28,009,047	26,991,047
Total net assets	28,614,330	27,354,363
Total Liabilities and Net Assets	\$ 28,651,603	\$ 27,381,020

THE BETHLEHEM UNIVERSITY FOUNDATION, INC.

Statements of Activities

For the years ended August 31, 2020 and 2019

	Without Donor Restrictions	With Donor Restrictions	2020 Total	Without Donor Restrictions	With Donor Restrictions	2019 Total
Revenue and support:						
Contributions	\$ 288,456	\$ 1,647,212	\$ 1,935,668	\$ 198,870	\$ 1,263,743	\$ 1,462,613
In-kind contributions	16,700	-	16,700	15,600	-	15,600
Investment income, net of fees totaling \$99,967 and \$97,792, respectively	929	3,305,611	3,306,540	310	642,841	643,151
Special events	100,655	-	100,655	201,393	-	201,393
Other income	2,850	-	2,850	-	-	-
Net assets released from restrictions - Note 7	<u>3,934,823</u>	<u>(3,934,823)</u>	<u>-</u>	<u>3,253,275</u>	<u>(3,253,275)</u>	<u>-</u>
 Total revenue and support	 4,344,413	 1,018,000	 5,362,413	 3,669,448	 (1,346,691)	 2,322,757
 Expenses:						
Grants and related expenses	3,359,704	-	3,359,704	3,215,832	-	3,215,832
Management and general	489,463	-	489,463	306,825	-	306,825
Fundraising	<u>253,279</u>	<u>-</u>	<u>253,279</u>	<u>286,967</u>	<u>-</u>	<u>286,967</u>
 Total expenses	 <u>4,102,446</u>	 <u>-</u>	 <u>4,102,446</u>	 <u>3,809,624</u>	 <u>-</u>	 <u>3,809,624</u>
 Change in net assets	 241,967	 1,018,000	 1,259,967	 (140,176)	 (1,346,691)	 (1,486,867)
 Net assets, beginning of year	 <u>363,316</u>	 <u>26,991,047</u>	 <u>27,354,363</u>	 <u>503,492</u>	 <u>28,337,738</u>	 <u>28,841,230</u>
 Net assets, end of year	 <u>\$ 605,283</u>	 <u>\$ 28,009,047</u>	 <u>\$ 28,614,330</u>	 <u>\$ 363,316</u>	 <u>\$ 26,991,047</u>	 <u>\$ 27,354,363</u>

See accompanying Notes to the Financial Statements.

THE BETHLEHEM FOUNDATION, INC.
Statement of Functional Expenses
For the year ended August 31, 2020

	<u>Grants</u>	<u>General and Administrative</u>	<u>Fundraising</u>	<u>Total</u>
Administrative costs allocated:				
Salaries	\$ 14,570	\$ 162,426	\$ 153,959	\$ 330,955
Benefits	5,608	20,252	31,195	57,055
Payroll taxes	<u>1,142</u>	<u>13,030</u>	<u>12,399</u>	<u>26,571</u>
	21,320	195,708	197,553	414,581
Advertising	-	425	344	769
Communications	565	6,911	(518)	6,958
Contract service fees	-	21,511	9,225	30,736
Endowment awards - Note 9	2,556,929	-	-	2,556,929
Hospitality	1,274	4,829	21,612	27,715
Legal	-	18,857	-	18,857
Licenses	-	1,240	-	1,240
Office supplies	499	3,663	388	4,550
Postage and delivery	1,943	2,122	8,338	12,403
Printing and reproduction	16,884	1,917	12,072	30,873
Professional development	-	525	-	525
Religious stipend	-	26,700	-	26,700
Rent	-	34,392	-	34,392
Travel	176	9,683	2,241	12,100
Credit card fees	-	3,905	35	3,940
Insurance	-	7,372	-	7,372
Equipment rental	-	1,922	-	1,922
Other business expenses	-	-	1,989	1,989
Meeting registrations	-	7,650	-	7,650
Depreciation	-	131	-	131
Bad debts	-	140,000	-	140,000
University support - Note 9	<u>760,114</u>	<u>-</u>	<u>-</u>	<u>760,114</u>
Total	<u>\$ 3,359,704</u>	<u>\$ 489,463</u>	<u>\$ 253,279</u>	<u>\$ 4,102,446</u>

See accompanying Notes to the Financial Statements.

THE BETHLEHEM FOUNDATION, INC.
Statement of Functional Expenses
For the year ended August 31, 2019

	<u>Grants</u>	<u>General and Administrative</u>	<u>Fundraising</u>	<u>Total</u>
Administrative costs allocated:				
Salaries	\$ 14,155	\$ 108,182	\$ 160,630	\$ 282,967
Benefits	2,074	19,851	30,886	52,811
Payroll taxes	1,058	9,911	12,606	23,575
	<u>17,287</u>	<u>137,944</u>	<u>204,122</u>	<u>359,353</u>
Advertising	-	300	-	300
Communications	-	10,560	-	10,560
Contract service fees	-	30,181	2,390	32,571
Dues	-	4,015	30	4,045
Endowment awards - Note 9	974,212	-	-	974,212
Event expense	-	-	51,685	51,685
Hospitality	-	13,125	-	13,125
Legal	-	55	-	55
Licenses	-	144	-	144
Office supplies	3,992	3,489	52	7,533
Postage and delivery	3,011	5,779	1,089	9,879
Printing and reproduction	14,159	5,609	18,577	38,345
Religious stipend	-	25,600	-	25,600
Rent	-	34,392	-	34,392
Travel	-	23,099	4,501	27,600
Intern expenses	201	67	4,306	4,574
Credit card fees	-	5,002	215	5,217
Insurance	-	5,265	-	5,265
Equipment rental	-	2,199	-	2,199
Transfers to University:				
Land purchase	1,000,000	-	-	1,000,000
University support - Note 9	1,202,970	-	-	1,202,970
Total	<u>\$ 3,215,832</u>	<u>\$ 306,825</u>	<u>\$ 286,967</u>	<u>\$ 3,809,624</u>

See accompanying Notes to the Financial Statements.

THE BETHLEHEM UNIVERSITY FOUNDATION, INC.
Statements of Cash Flows
For the years ended August 31, 2020 and 2019

	2020	2019
<u>Cash Flows From Operating Activities:</u>		
Change in net assets	\$ 1,259,967	\$ (1,486,867)
Adjustments to reconcile change in net assets to net cash used in operating activities:		
Depreciation	131	-
Bad debt expense	140,000	-
Net unrealized and realized gains on investments	(2,254,021)	(269,735)
Change in operating assets and liabilities:		
Pledges receivable	74,587	266,114
Prepaid expenses and other current assets	(6,280)	(3,417)
Accounts payable and accrued expenses	10,242	(2,842)
Deferred rent	374	1,364
Net cash used in operating activities	(775,000)	(1,495,383)
 <u>Cash Flows From Investing Activities:</u>		
Purchases of investments and reinvested earnings	(2,380,091)	(950,946)
Proceeds from sales of investments	3,118,868	2,518,754
Purchases of property and equipment	(5,580)	-
Net cash provided by investing activities	733,197	1,567,808
 Net increase (decrease) in cash and cash equivalents for the year	(41,803)	72,425
 Cash and cash equivalents, beginning of year	442,316	369,891
 Cash and cash equivalents, end of year	\$ 400,513	\$ 442,316

THE BETHLEHEM UNIVERSITY FOUNDATION, INC.
Notes to the Financial Statements
August 31, 2020 and 2019

NOTE 1 **ORGANIZATION AND SIGNIFICANT ACCOUNTING POLICIES**

The Bethlehem University Foundation, Inc. (the Foundation) was formed in 1998 as a New Jersey nonprofit corporation and operates solely for the support and promotion of Bethlehem University in Palestine. The Foundation is a separate entity from Bethlehem University (the University).

The Foundation was formed, according to the legal articles of incorporation, for the following purposes:

- To support and assist Bethlehem University in the Holy Land in its educational mission by providing supplemental funding and other assistance for all of its programs and services;
- To encourage renewed commitment to the University as a center of quality education and as the most effective educational instrument available to teach, to build community, and to provide service for the needs of the community and to seek and obtain funds or property in any form to be used for the benefit of the University;
- To provide a depository for gifts and bequests of all kinds and also to serve as a receptacle for receiving and managing these gifts that specify a certain purpose or program of the University as its beneficiary according to the established desire of the donor;
- To act as a trustee under any trust incidental to the purposes of the Corporation and to receive, hold, administer, and expend funds and property subject to such trust.

Accounting Method

The accompanying financial statements of the Foundation are prepared on the accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America (U.S. GAAP).

Cash and Cash Equivalents

For purposes of financial statement presentation, the Foundation considers all highly liquid debt instruments with initial maturities of ninety days or less to be cash equivalents. Cash and money market funds held by investment managers are included in investments.

Investments

The Foundation reports investments at fair value using quoted market prices when available. Interest and dividends are reported when earned. Net realized and unrealized gains and losses on investments include the gains and losses on investments bought and sold as well as held during the year.

THE BETHLEHEM UNIVERSITY FOUNDATION, INC.
Notes to the Financial Statements (Continued)
August 31, 2020 and 2019

NOTE 1 ORGANIZATION AND SIGNIFICANT ACCOUNTING POLICIES (Continued)

Fair Value Measurements

The Foundation complies with the Statement of Financial Accounting Standards Codification Topic Fair Value Measurements. This defines fair value and establishes a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (level 1 measurement) and the lowest priority to unobservable inputs (level 3 measurement).

The three levels of the fair value hierarchy under this topic are described below:

Basis of Fair Value Measurement:

Level 1 - Unadjusted quoted prices in active markets that are accessible at the measurement date for identical, unrestricted assets or liabilities

Level 2 - Quoted prices in markets that are not considered to be active or financial instruments for which all significant inputs are observable, either directly or indirectly

Level 3 - Prices or valuations that require inputs that are both significant to the fair value measurement and unobservable

The Foundation invests in common stock, mutual funds and exchange-traded funds which are stated at fair value based on quoted market prices at the date of the financial statements. Money market funds held as short term investments are carried at cost, which approximates fair value. Such investments are exposed to various risks such as market and credit fluctuation. Due to the level of risk associated with such investments, and the level of uncertainty related to changes in the value of such investments, it is at least reasonably possible that changes in risks in the near term could materially affect investment balances and the amounts reported in the financial statements.

Pledges Receivable

Unconditional promises to give that are expected to be collected within one year are recorded at net realizable value. Unconditional promises to give that are expected to be collected beyond one year are recorded at the present value of their estimated future cash flows. The discounts on those amounts are computed using risk-adjusted interest rates applicable to the years in which the promises are to be received. Accretion of the discounts is included in contributions support. Conditional promises to give are not included as support until the conditions are met.

Computer Equipment

Property and equipment are recorded at cost and depreciated on a straight-line basis over their estimated useful lives of five years. The Foundation capitalizes all property and equipment purchased with a cost of \$1,000 or more.

THE BETHLEHEM UNIVERSITY FOUNDATION, INC.
Notes to the Financial Statements (Continued)
August 31, 2020 and 2019

NOTE 1 **ORGANIZATION AND SIGNIFICANT ACCOUNTING POLICIES** (Continued)

Description of Net Assets

Net assets are classified based on existence or absence of donor-imposed restrictions as follows:

Net Assets Without Donor Restrictions are currently available for operating purposes under the direction of management and the board of directors or designated by the board for specific use.

Net Assets With Donor Restrictions are stipulated by donors for specific operating purposes or for the acquisition of property and equipment or are time restricted. These include donor restrictions requiring the net assets to be held in perpetuity or for a specific term with investment return specified for a specific purpose.

Contributions

Unconditional contributions and university-designated support received, including unconditional promises to give, are recorded as revenue in the year notification is received from the donor. Conditional promises to give are not recognized until the conditions on which they depend are substantially met. Contributions and grants with donor-imposed restrictions are reported as revenues with donor restrictions and are reclassified to net assets without donor restrictions when an expense is incurred that satisfies the donor-imposed restriction or the time restriction has passed.

Contributions received related to special events that were postponed or cancelled due to COVID-19 are grouped with special events income on the statements of activities.

In-Kind Contributions

Contributions in-kind are recorded as contributions at their estimated fair value at the time goods or services are provided and include a portion of the Executive Assistant's stipend. Volunteer services are not recognized as they do not meet the definition of in-kind contributions under accounting principles generally accepted in the United States of America.

Use of Accounting Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

THE BETHLEHEM UNIVERSITY FOUNDATION, INC.
Notes to the Financial Statements (Continued)
August 31, 2020 and 2019

NOTE 1 **ORGANIZATION AND SIGNIFICANT ACCOUNTING POLICIES** (Continued)

Income Tax Status

As a result of being operated in connection with the Roman Catholic Church in the United States, the Foundation is entitled to exemption from federal income tax under the provisions of section 501(c)(3), classified as an organization that is not a private foundation, and, therefore, is not required to file an annual federal income tax return. However, income from certain activities not directly related to the Foundation's tax-exempt purpose is subject to taxation as unrelated business income. For the years ended August 31, 2020 and 2019, the Foundation did not partake in any unrelated business activities.

Expense Allocations

The costs of providing the various programs and other activities have been summarized on a functional basis in the statement of activities. Accordingly, certain costs have been allocated among the programs benefited.

New Accounting Pronouncements

During the fiscal year ended August 31, 2020, the Foundation adopted Financial Accounting Standards Board (FASB) Accounting Standards Update (ASU) No. 2014-09, *Revenues from Contracts with Customers (Accounting Standard Codification Topic 606)* and all related amendments using the full retrospective method. This guidance replaces most existing revenue recognition guidance under U.S. GAAP and require expanded disclosures relating to the nature, amount, timing, and uncertainty of revenue and cash flows arising from contracts with customers.

In June 2018, FASB released ASU 2018-08, *Clarifying the Scope of the Accounting Guidance for Contributions Received and Contributions Made*. This update provides clarifying guidance on accounting for the grants and contracts of nonprofit organizations as they relate to the new revenue recognition standard implemented by ASU 2014-09 and aims to minimize diversity in the classification of grants and contracts that exist under current guidance.

Based on the Foundation's evaluation process and review of its contracts with customers, the timing and amount of revenue as previously recognized is materially consistent with revenue recognition under the new standard. The adoption of ASU 2014-09 and ASU 2018-08 did not have any material effect on net assets balances or previously issued financial statements.

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THE BETHLEHEM UNIVERSITY FOUNDATION, INC.
Notes to the Financial Statements (Continued)
August 31, 2020 and 2019

NOTE 2 **CONCENTRATION OF CREDIT RISK**

Financial instruments which potentially subject the Foundation to concentrations of credit risk include cash deposits with commercial banks. The Foundation's cash management policies limit its exposure to concentrations of credit risk by maintaining cash accounts at financial institutions whose deposits are insured by the Federal Deposit Insurance Corporation (FDIC). Cash deposits may, however, exceed the FDIC insurable limits at times throughout the year. Management does not consider this a significant concentration of credit risk.

NOTE 3 **INVESTMENTS**

As of August 31, 2020 and 2019, the Foundation's investments at fair value consist of following:

	<u>2020</u>	<u>2019</u>
Money market	\$ 123,025	\$ 155,073
Fixed income - corporate securities	7,197,481	7,178,248
Equity - exchange-traded trust and mutual funds	<u>19,883,693</u>	<u>18,355,634</u>
Total	<u>\$ 27,204,199</u>	<u>\$ 25,688,955</u>

For the years ended August 31, 2020 and 2019, net investment income consisted of the following:

	<u>2020</u>	<u>2019</u>
Interest and dividends	\$ 1,152,486	\$ 471,208
Realized and unrealized gains on investments, net	<u>2,254,021</u>	<u>269,735</u>
Subtotal	3,406,507	740,943
Less, investment fees	<u>99,967</u>	<u>97,792</u>
Total net investment income	<u>\$ 3,306,540</u>	<u>\$ 643,151</u>

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THE BETHLEHEM UNIVERSITY FOUNDATION, INC.
Notes to the Financial Statements (Continued)
August 31, 2020 and 2019

NOTE 4 FAIR VALUE OF INVESTMENTS

The Foundation values its investments at fair value in accordance with a three-tier fair value hierarchy, which prioritizes the inputs used in measuring fair value as described in Note 1. A financial instrument's level within the fair value hierarchy is based on the lowest level of any input that is significant to the fair value measurement.

There have been no changes in the methodologies used during the years ended August 31, 2020 and 2019. The following is a description of the valuation methodology used for investments measured at fair value and their classification in the valuation hierarchy:

Fixed income - Corporate securities comprised of bonds listed on the national markets or exchanges which are valued at last sales price, or if there is no sale and the market is still considered active, at the last transaction price before year-end. Such securities are classified within Level 1 of the valuation hierarchy.

Equity funds - Comprised of exchange-traded trust and mutual funds where quoted prices are available in an active market, securities are classified within Level 1 of the valuation hierarchy. Level 1 securities include fixed income exchange-traded trust and mutual funds. If quoted market prices are not available, then fair values are estimated using pricing models, quoted prices of securities with similar characteristics, or discounted cash flows.

The following tables set forth by level within the fair value hierarchy the Foundation's investment assets at fair value. Investments are stated at fair value and consist of the following at August 31, 2020 and 2019:

	2020			
	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
Cash and money market	\$ 123,025	\$ -	\$ -	\$ 123,025
Fixed income funds	7,197,481	-	-	7,197,481
Equity funds	<u>19,883,693</u>	-	-	<u>19,883,693</u>
Totals	<u>\$27,204,199</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$27,204,199</u>
	2019			
	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
Cash and money market	\$ 155,073	\$ -	\$ -	\$ 155,073
Fixed income funds	7,178,248	-	-	7,178,248
Equity funds	<u>18,355,634</u>	-	-	<u>18,355,634</u>
Totals	<u>\$25,688,955</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$25,688,955</u>

THE BETHLEHEM UNIVERSITY FOUNDATION, INC.
Notes to the Financial Statements (Continued)
August 31, 2020 and 2019

NOTE 5 **PLEDGES RECEIVABLE**

As of August 31, 2020 and 2019, pledges receivable consists of unconditional promises to give as follows:

	<u>2020</u>	<u>2019</u>
Less than one year	\$ 490,124	\$ 405,000
One to five years	<u>646,163</u>	<u>917,917</u>
Total pledges	1,136,287	1,322,917
Less:		
Discount, 4.25%	(34,542)	(76,585)
Allowance for doubtful accounts	<u>(70,000)</u>	<u>-</u>
Pledges receivable, net	<u>\$ 1,031,745</u>	<u>\$ 1,246,332</u>

In light of uncertainties arising as a result of the ongoing COVID-19 pandemic, an allowance for doubtful accounts was recorded at year end as a general reserve for all outstanding pledges receivable.

NOTE 6 **COMMITMENTS AND CONTINGENCIES**

The Foundation has an operating lease for office space in Beltsville, Maryland. The lease commenced on June 1, 2015 and expires May 31, 2025. The lease provides for an annual base rent of \$30,000 plus annual increases of 3% each anniversary date. For the years ended August 31, 2020 and 2019, rent expense totaled \$34,392 and \$34,392, respectively.

The following is a schedule of future minimum lease commitments as of August 31, 2020:

<u>Year</u>	<u>Amount</u>
2021	\$ 35,039
2022	36,090
2023	37,173
2024	38,288
2025	<u>29,357</u>
	<u>\$ 175,947</u>

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THE BETHLEHEM UNIVERSITY FOUNDATION, INC.
Notes to the Financial Statements (Continued)
August 31, 2020 and 2019

NOTE 7 **NET ASSETS WITH DONOR RESTRICTIONS**

The Foundation has received certain donations designated by the donor for specific uses. If these restrictions were met during the year that the contribution was made, the contribution was classified as without donor restrictions. Net assets released from restrictions by satisfying time or purpose restrictions for the years ended August 31, 2020 and 2019 totaled \$3,934,823 and \$3,253,275, respectively.

Net assets with donor restrictions consists of the following as of August 31:

	<u>2020</u>	<u>2019</u>
Net assets with donor restrictions:		
Subject to purpose:		
Accumulated earnings on endowment funds	\$ 11,543,915	\$ 11,377,103
Subject to passage of time:		
Pledges receivable: Salemah	549,547	951,015
Pledges receivable: Other	<u>482,198</u>	<u>295,317</u>
Total subject to passage of time	<u>1,031,745</u>	<u>1,246,332</u>
Total subject to purpose or passage of time	12,575,660	12,623,435
Subject to restriction in perpetuity:		
Endowment funds	<u>15,433,387</u>	<u>14,367,612</u>
Total net assets with donor restrictions	<u>\$ 28,009,047</u>	<u>\$ 26,991,047</u>

NOTE 8 **ENDOWMENT FUNDS**

The Foundation has interpreted the Uniform Prudent Management of Institutional Funds Act (UPMIFA) as requiring the preservation of the fair value of the original gift as of the gift date of donor-restricted endowment fund absent explicit Foundation donor stipulations to the contrary.

In accordance with UPMIFA, the Foundation considers the following factors in making a determination to appropriate or accumulate donor-restricted endowment funds:

- The duration and preservation of the fund
- The purposes of the Foundation, including general operating expenses, and the donor-restricted endowment fund
- General economic conditions
- The possible effect of inflation and deflation
- The expected total return from income and the appreciation of investments
- Other resources of the Foundation
- The investment policies of the Foundation

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THE BETHLEHEM UNIVERSITY FOUNDATION, INC.
Notes to the Financial Statements (Continued)
August 31, 2020 and 2019

NOTE 8 **ENDOWMENT FUNDS** (Continued)

As a result of this interpretation, the Foundation classifies the original value of the endowment gifts that have long-term time restrictions as a net asset with donor restriction. The Foundation's investment policy objective is to protect the principal, earn a return, and provide growth. The earnings on the endowment are also classified as net assets with donor restrictions until those amounts are appropriated for expenditure by the Foundation. For the years ended August 31, 2020 and 2019, earnings of \$3,138,799 and \$2,420,962 were released for operations. As of August 31, 2020 and 2019, the Foundation had net assets with donor restrictions subject to perpetuity of \$15,433,387 and \$14,367,612, respectively.

Endowment net asset composition by type of fund as of August 31, 2020 and 2019 is as follows:

	2020		
	Without Donor Restrictions	With Donor Restrictions	Total Net Endowment Assets
Donor principal	\$ -	\$ 15,433,387	\$ 15,433,387
Accumulated income	-	<u>11,543,915</u>	<u>11,543,915</u>
Total funds	<u>\$ -</u>	<u>\$ 26,977,302</u>	<u>\$ 26,977,302</u>

	2019		
	Without Donor Restrictions	With Donor Restrictions	Total Net Endowment Assets
Donor principal	\$ -	\$ 14,367,612	\$ 14,367,612
Accumulated income	-	<u>11,377,103</u>	<u>11,377,103</u>
Total funds	<u>\$ -</u>	<u>\$ 25,744,715</u>	<u>\$ 25,744,715</u>

Changes in the endowment net assets for the year ended August 31, 2020 are as follows:

	Without Donor Restrictions	With Donor Restrictions	Total
Endowment net assets, August 31, 2019	\$ -	\$ 25,744,715	\$ 25,744,715
Contributions	-	1,065,775	1,065,775
Interest and dividends	-	1,151,557	1,151,557
Net appreciation	-	2,254,021	2,254,021
Investment fees	-	(99,967)	(99,967)
Appropriated for expenditures	-	<u>(3,138,799)</u>	<u>(3,138,799)</u>
Endowment net assets, August 31, 2020	<u>\$ -</u>	<u>\$ 26,977,302</u>	<u>\$ 26,977,302</u>

THE BETHLEHEM UNIVERSITY FOUNDATION, INC.
Notes to the Financial Statements (Continued)
August 31, 2020 and 2019

NOTE 8 **ENDOWMENT FUNDS** (Continued)

Changes in the endowment net assets for the year ended August 31, 2019 are as follows:

	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>Total</u>
Endowment net assets, August 31, 2018	\$ -	\$ 26,825,292	\$ 26,825,292
Contributions	-	697,544	697,544
Interest and dividends	-	470,898	470,898
Net appreciation	-	269,735	269,735
Investment fees	-	(97,792)	(97,792)
Appropriated for expenditures	-	<u>(2,420,962)</u>	<u>(2,420,962)</u>
Endowment net assets, August 31, 2019	<u>\$ -</u>	<u>\$ 25,744,715</u>	<u>\$ 25,744,715</u>

NOTE 9 **RELATED PARTY TRANSACTIONS**

The Foundation, through its Articles of Incorporation and Corporate Bylaws, recognizes its sole purpose to support and promote Bethlehem University. The Articles state that the Foundation will provide supplemental funding or assistance, encourage renewed commitment from previous contributors, provide and manage a repository of gifts and bequests, and to act as trustee under any trust incidental to the purposes of the Foundation to receive, hold, administer and expend funds and property subject to that trust. The Foundation remits to the University the following: all gifts and donations received wherein the University is the designated recipient and disburse grants to the University on endowed accounts annually in accordance with the Foundation's disbursement policies. For the years ended August 31, 2020 and 2019, the Foundation provided \$760,114 and \$1,202,970 in support, respectively. For the years ended August 31, 2020 and 2019, the Foundation granted \$2,556,929 and \$974,212, respectively, to the University from the endowment funds in accordance with the distribution policies of each individual endowment.

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THE BETHLEHEM UNIVERSITY FOUNDATION, INC.
Notes to the Financial Statements (Continued)
August 31, 2020 and 2019

NOTE 10 **LIQUIDITY AND FUNDS AVAILABLE**

The following table reflects the Foundation's financial assets as of August 31, 2020 and 2019, reduced by amounts not available for general expenditure within one year, if any. Financial assets are considered unavailable when illiquid or not convertible to cash within one year, trust assets, assets held for others, funds that are purpose or time restricted beyond one year, endowments and accumulated earnings net of appropriations within one year.

	<u>2020</u>	<u>2019</u>
Financial assets:		
Cash and cash equivalents	\$ 400,513	\$ 442,316
Pledges receivable	1,031,745	1,246,332
Investments	<u>27,204,199</u>	<u>25,688,955</u>
Financial assets, at year-end:	28,636,457	27,377,603
Less those unavailable for general expenditure within one year, due to:		
Noncurrent portion of pledges receivable	(611,621)	(841,332)
Donor restricted endowments in perpetuity	<u>(15,433,387)</u>	<u>(14,367,612)</u>
 Financial assets available to meet cash needs for total expenses within one year	 <u>\$ 12,591,449</u>	 <u>\$ 12,168,659</u>

The Foundation has a policy to structure its financial assets to be available as its general expenditures, liabilities and other obligations come due.

NOTE 11 **SUBSEQUENT EVENTS**

U.S. and global business and financial markets continue to be severely impacted by the Coronavirus pandemic. This has resulted in extreme fluctuations of the fair market values of investments in the immediate term. The potential long-term impact on the Foundation's investments, revenues, expenses, and cash flows cannot be determined at this time.

The Foundation evaluated subsequent events for potential required disclosure through December 9, 2020, which is the date financial statements were available to be issued.